

FROM:

INDIANA HOUSE DEMOCRAT LEADER B. PATRICK BAUER (D-SOUTH BEND)

A recent report released by the Legislative Services Agency found that tax bills for owner-occupied homes would have increased a total of 51 percent in 2003 had the General Assembly not approved a tax-restructuring plan the year before.

This report is important for two reasons. First, bipartisan (Democratic and Republican) action substantially reduced homeowners property taxes due to the impending court ordered reassessment. Secondly, the state budget that passed this year in a partisan (Republican) manner will increase property taxes by \$1 billion for all property owners and erase the progress made during tax restructuring.

Unfortunately, that is not all the bad news. In this budget, education is shortchanged and teachers will be laid off, class sizes increased and many programs are being cut. This budget is described by the Republicans who passed it as "balanced." In truth, it should be described this way: "This budget is balanced on the backs of schoolchildren and property owners."

This budget passed by the Republicans will wreak havoc on the entire state, from Angola to Evansville and from Gary to Madison. Not a single area will avoid feeling the pain. A large portion of the increase is the reversal of the school tax levy burden from the state to the locals to the tune of \$469.7 million. Approximately \$232.3 million is a levy increase for textbooks, transportation, and other costs. This budget also "caps" or reduces the amount of property tax relief the state will be paying to homeowners. This decision adds fuel to the property tax fire. This budget appropriation froze and slightly reduced Property Tax Replacement Credit and Homestead Credit appropriations to \$2.21 billion in Fiscal Year 2006 and the same in Fiscal Year 2007. As a result, statewide property taxes could increase \$276.6 million just from the freeze. When you add growth in local government spending, you are looking at \$1 billion in property tax increases that are on the way.

This hammer will not fall in one swipe, because that isn't how the budget process works. The impact will be felt gradually, over the course of many months. Here is how it will happen to you.

Come August and September, your children will head back to school, only to report to you that some of their teachers have been laid off, and the classes are bigger than before, there aren't any music or arts classes any more, the band program has been discontinued, and no more foreign language classes are being taught. You will also receive a big bill for the textbooks your child needs for school.

Here are some recent media reports that pave the way for what's to come.

- ▶ April 26, 2005: Lafayette Schools to close two facilities this year, and two more in 2007.
- ▶ May 2, 2005: Indianapolis Public Schools lose \$7.5 million in state funding.

- May 4, 2005: Madison's mayor warns Legislature's action likely to result in property tax hike.
- May 5, 2005: Valparaiso enrichment program eliminated.
- May 11, 2005: Alexandria High School drops band program.
- June 12, 2005: More than 1,000 teachers statewide have lost their jobs.

All of these articles are caused by one reason: the Republican budget reduces state support for schools. As a result, local officials are being forced to either cut programs and teachers, raise local property taxes to make up the shortfall, or do both.

The Republicans claim they will "fix" the property tax crisis they have created later. They shouldn't have raised our property taxes so high in the first place. This is the real crisis in Indiana--not the manufactured crises of license branches, roads and anything else they can come up with to declare that Indiana is "broken". Property taxes must be cut now, not later. We don't need any other manufactured crises. Schools need our help now, not continued blame, and property owners need our protection. Later might be too late for many Hoosiers.